GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1083
ANSWERED ON:23.11.2001
POLICY ON SUBSIDY QUESTION
ASHOK KUMAR PATEL

Will the Minister of FINANCE be pleased to state:

(a) whether the subsidy related policy of the Government has proved as total failure in giving the desired results;

(b) if so, the reasons therefor;

(c) if not, the achievement made so far;

(d) whether any proposal is under consideration of the Government to set up any mechanism to review the subsidy policy; and

(e) if so, the time by which the final decision is likely to be taken in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a),(b),(c),(d) & (e): Subsidy related policy of the Government is considered to be a powerful welfare-augmenting instrument of fiscal policy. Explicit subsidies provided by the Central Government are listed in the budget documents but substantial portion of subsidies remain implicit in the provision for social and economic services where they often go out of control putting further strain on the fiscal deficit. In the Central Government Budget,substantial and explicit subsidies are provided for fertilizer and food including sugar. There are also hidden subsidies on supply of kerosene, domestic LPG, electricity to agriculture, irrigation, water andprovision of social services such as health, education etc. In the Budget for 2000-01 the Government had announced thatthe Administered Price Mechanism (APM) in respect of petroleumproducts would be dismantled by the end of March 2002. Government is constantly reviewing the burden of subsidy and its implication on fiscal aggregates. In May 1997 the Government placed a`Discussion Paper on Government Subsidies in India` beforethe House. It may be recognised that social and economic compulsions would not allow complete abolition of subsidies. However, Government is attempting to make subsidies transparent, well targeted and efficiently managed.